

# News Release



***Controller of the State of California - Kathleen Connell***

600 Corporate Pointe, Suite 1150  
Culver City, California 90230

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***Contact: Byron Tucker, Susie Wong – 310/342-5678***

***FOR IMMEDIATE RELEASE***

## **STATE CONTROLLER CONNELL FEARS LOOMING FISCAL HEALTH CARE CRISIS**

### **Connell Alarmed by Pending Fiscal Impact of California's 7.3 Million Uninsured Residents**

LOS ANGELES, March 1, 2000 — State Controller Kathleen Connell today released her quarterly economic update raising concern that the percentage of Californians without health care coverage continues to rise despite a booming and expanding economy. The report addresses the fiscal burden that an aging, uninsured and unhealthy population group may have on California's economy in the future. The report also examines how California's \$63 billion health care industry will adjust to provide quality health care as the baby boomer generation ages.

"California is in the midst of a health care crisis," said Connell. "One out of six uninsured people in this country live in California. We cannot expect to continue our current economic expansion without providing adequate and comprehensive health care for California's staggering 7.3 million uninsured residents. In this time of historic financial prosperity, I find it alarming that only 48% of companies in California offer health insurance to their employees compared to the national average of 61%. We can only assume that employer-provided health care will continue to fall as health care costs continue to rise, and the economy begins to cool."

The report notes that California, compared to the rest of the nation, is at a disadvantage when it comes to providing health care coverage. In 1998, California had a significantly higher uninsured rate (24%) than the rest of the country (17%). The state had the third highest uninsured rate in the nation, with 40% of Latinos, 23% of African Americans and 22% of Asian Americans lacking health care coverage. In 1998, only 36% of non-citizens had employment-based coverage, compared to 63% of U.S.-born citizens.

“The health of our economy is intrinsically connected to the health of our workforce,” said Connell. “It is deeply disturbing to think that in this period of vibrant economic growth, so many productive and valuable residents don’t have access to affordable health care. More California businesses should have the resources to provide health insurance. We are witnessing a stampeding retreat from providing health benefits due to the soaring cost of health care coverage.”

Connell noted that some companies are outsourcing health care coverage to save costs. Xerox Corporation, for example, recently opted to offer employees a flat amount of health care dollars to be spent on any program the employee chooses. “Outsourcing health care forces employees to take a proactive role in satisfying their health care needs and represents a new paradigm for health care delivery in the future.”

Increased life expectancy and the aging of the baby boom generation, the largest generation in history, will greatly expand the need and costs for health care services. California’s 9.8 million baby boomers will begin to turn 65 in 2011, with this trend continuing to 2029. Additionally, the health care services industry is expected to double its total employment in 20 years to nearly 2 million workers and will need qualified employees to meet that demand.

Connell added, “The \$63 billion health care sector has become a dominant component of the state’s economy. California spends \$8.1 billion a year on Medi-Cal alone to treat uninsured residents. The changing demographics of California will mandate the need for more and improved health care delivery systems, products and technologies between now and 2040.”

The *Controller’s Quarterly*, released at a health care symposium sponsored by Connell and the Healthcare Collaborative at UCLA, also examines California’s projected long-term care need for the next 20 years. There are currently 3.61 million Californians 65 and older. By 2020, aging boomers will explode this demographic to 8 million people and this population will shift from high-earning revenue generators to a dependent population placing huge financial burdens on the state’s long-term care needs. California currently spends more than \$5 billion per year on long-term care coverage. Only 300,000 long-term care policies were purchased in 1998.

To help ease long-term care burdens in the future, Connell partnered with Assemblywoman Elaine Alquist to sponsor legislation this year, AB 2281, that would offer tax credits to individuals who purchase long-term care for themselves, their spouse, and/or dependents.

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